

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 SP-02 USIA-06 AID-05

EB-07 NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-01 PA-01

PRS-01 INT-05 AGRE-00 /114 W

-----231127Z 003810 /13

P 230830Z MAY 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 1251

INFO RUFHBS/USMISSION USEC BRUSSELS PRIORITY 298

USMISSION GENEVA PRIORITY

USMISSION USUN NEW YORK PRIORITY

USMISSION OECD PARIS PRIORITY

C O N F I D E N T I A L JAKARTA 6683

OECD PARIS FOR DEPUTY ASSISTANT SECRETARY BOSWORTH

E.O. 11652: GDS

TAGS: CIEC, EGEN, ID

SUBJECT: CIEC - GOI VIEWS ON PRESENT SITUATION

REF: A. JAKARTA 6294, B. GENEVA 3941

1. SUMMARY: GOI OFFICIALS OPTIMISTIC ABOUT FURTHER PROGRESS IN DISCUSSIONS FOR COMMON FUND. STRESS CONCERN ABOUT DEBT PROBLEM AS MAJOR OUTSTANDING ISSUE. EXPRESS CAUTION ABOUT AN AGREEMENT FOR CONTINUED ENERGY DISCUSSIONS, BUT WILL KEEP AN OPEN MIND ON SUBJECT. STATE THAT GOI WILL BE ON SIDE OF MODERATES IN WORKING TOWARDS RELATIVELY POSITIVE CONCLUSION OF CIEC. END SUMMARY.

2. IN ADDITION TO AMBASSADOR'S CALL ON MINISTER WIDJOJO (REF A), ECONCOUNS CALLED ON MINISTER OF TRADE PRAWIRO LAST WEEK AND SUHADI (MINISTRY OF TRADE) MAY 23. BOTH
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EXPRESSED SAME SATISFACTION ABOUT CONTINUING DIALOGUE REPORTED PARA 1, REF B AND WERE OPTIMISTIC ABOUT FURTHER PROGRESS IN DISCUSSIONS FOR COMMON FUND. SUHADI REPEATED ESSENTIALLY WHAT ALATAS HAD SAID IN GENEVA (PARA 2, REF B), STRESSING HIS HOPE THAT GROUP B COULD COME CLOSER TOGETHER ON THE "POOLING PLUS" CONCEPT. IN THE ABSENCE OF A CONSENSUS IN GROUP B, THERE MIGHT BE SOME

DIFFICULTIES IN WORKING OUT A FORMULA BUT HE WAS OPTIMISTIC THAT ULTIMATELY A COMPROMISE COULD BE ACHIEVED BETWEEN THE TWO CENTRAL CONCEPTS, "POOLING PLUS" AND "CENTRAL SOURCE OF FINANCING." INDONESIA, HE SAID, WOULD SUPPORT SUCH A COMPROMISE.

3. SUHADI SAID THAT GOI HOPED INFORMAL INTERGROUP DISCUSSIONS WOULD TAKE PLACE AFTER CIEC AND THAT UNCTAD MEETING ON THE COMMON FUND COULD TAKE PLACE IN NOVEMBER. (HE DID NOT MENTION POSSIBLE POSTPONEMENT OF THE CONTEMPLATED NOVEMBER DATE AS ALATAS HAD IN GENEVA.) PRAWIRO SAID THAT HE HAD PUSHED HARD FOR SIGNING OF RUBBER AGREEMENT BEFORE CIEC MINISTERIAL SO THAT IT WOULD BE EVIDENT TO DEVELOPED CONSUMER COUNTRIES THAT LDC'S WERE LOOKING AT COMMODITY AGREEMENTS NOT AS MEANS FOR INCREASING PRICES BUT RATHER AS MEANS FOR STABILIZING SUPPLY AND DEMAND. HE SAID USG SEEMED TO APPRECIATE CONCEPT DEVELOPED BY NATURAL RUBBER PRODUCERS.

4. SUHADI STRESSED DEBT PROBLEM AS MAJOR OPEN ISSUE (PARA 7, REF A). HE MADE SAME COMMENTS PRAWIRO MADE LAST WEEK, EMPHASIZING THAT SOME FORWARD MOVEMENT IN THIS AREA WAS IMPORTANT FOR "MORE SERIOUSLY AFFECTED" COUNTRIES. BOTH NOTED THAT THE SUMMIT COMMUNIQUE HAD NOT ADDRESSED ITSELF TO QUESTION OF LDC DEBTS. ALTHOUGH THEY FELT THAT IDA WAS VERY USEFUL INSTITUTION TO HELP RESTRUCTURE DEBT PROFILES IN PROBLEM COUNTRIES, WEAKNESS OF IDA WAS THAT ONLY WESTERN COUNTRIES CONTRIBUTED TO ITS FUNDING. DEBT, THEY SAID, WAS NOT A WORLD PROBLEM AND INSTITUTIONAL

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ARRANGEMENTS WERE NEEDED WHICH WOULD INCLUDE SOCIALIST COUNTRIES AS WELL AS WESTERN WORLD.

5. CONCERNING CONTINUED ENERGY DISCUSSIONS, SUHADI SAID THAT INDONESIA SHARED PREFERENCE BY SOME COUNTRIES IN G-19 AND G-77 TO INCLUDE BROADER ISSUES RELATED TO ENERGY. HOWEVER, HE FELT THAT IT MAY NOT BE TOO DIFFICULT FOR GOI TO AGREE TO "SOME KIND OF DISCUSSION ARRANGEMENT" UBT THAT THE TERMS OF REFERENCE AND SUBJECTS MUST FIRST BE CLEARLY DELINEATED. IF THE IDEA WAS TO SET UP A PERMANENT FORUM TO INSTITUTIONALIZE ENERGY DISCUSSIONS, GOI WOULD HAVE TO THINK ABOUT IT CAREFULLY AND WOULD NEED MORE TIME TO ANALYZE PROPOSAL. HE NOTED THAT MAJOR OIL PRODUCERS WERE CAUTIOUS ON THIS ISSUE; IF THE INTENT WAS TO DISCUSS ONLY OIL SUPPLY, PRODUCTION, AND PRICES, THERE WOULD BE A HANGUP. THE MAJOR PRODUCERS, HE ADDED, DO NOT WANT THEIR RIGHT TO SET PRICES QUESTIONED. FOR THAT REASON, AND ALSO BECAUSE OF THE ALREADY EXISTING UN COMMITTEE ON ENERGY, IT WOULD NOT BE EASY TO REACH AGREEMENT ON THE

MODALITIES FOR CONTINUED ENERGY DISCUSSIONS. IN ANY EVENT, GOI WAS NOT OPPOSED TO CONTINUED DISCUSSIONS AND WOULD KEEP AN OPEN MIND ON SUBJECT.

6. REGARDING TRADE, SUHADI SAID THAT CIEC SHOULD MAKE POLITICAL DECISION TO GIVE IMPETUS TO MTN TO HELP NEGOTIATIONS "GET OVER THE HUMP." NON-RECIPROCITY CONTINUED TO BE A MAJOR PROBLEM AND THIS PRINCIPLE NEEDED CONFIRMATION.

7. SUMMARIZING HIS OVERALL IMPRESSIONS OF WHAT CIEC WOULD PRODUCE, SUHADI WAS CONFIDENT THAT THERE WOULD BE "SOME DECISIONS OF SIGNIFICANCE," PARTICULARLY ON THE MATTER OF INCREASED FLOWS OF AID TO LDCS AS WELL AS DECISIONS ON COMMODITIES, STOCKPILING ARRANGEMENTS, AND A COMMON FUND. WHILE THIS WAS IMPORTANT PROGRESS, HE FELT THAT LDCS WOULD EXPECT SOME INDICATION POINTING
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TOWARDS CHANGES IN THE EXISTING WORLD ECONOMIC STRUCTURE AND MONETARY SYSTEM TO AFFORD LDCS BETTER OPPORTUNITIES TO PARTICIPATE IN GREATER SHARES OF TRADE, SHIPPING AND MANUFACTURE. HE OBSERVED THAT DECISION TO INCREASE TRANSFER OF CAPITAL RESOURCES TO THE LDCS, WHICH WAS A VERY DEFINITE PLUS, WOULD FLOW FROM THE "PRESENT" ECONOMIC STRUCTURE OF THE INDUSTRIAL COUNTRIES. LDC'S HOPES WOULD BE THAT THIS "PRESENT" STRUCTURE COULD BE MODIFIED. HE ADMITTED THAT THERE WERE STILL SUBSTANTIAL DIFFERENCES ON THIS CONCEPT WITHIN G-19; HE ALSO RECOGNIZED THAT THERE WERE SERIOUS POLITICAL OBSTACLES IN INDUSTRIAL COUNTRIES PREVENTING MAJOR ADJUSTMENTS IN SUCH SENSITIVE AREAS AS TRADE AND SHIPPING. HOWEVER, HE HOPED THAT THERE MIGHT BE SOME AGREEMENT BY G-8 ON A "POLITICAL MINIMUM" REFLECTING SOME WILLINGNESS TO PURSUE THIS SUBJECT.

8. ASKED TO COMMENT ON WHETHER GOI WOULD SUPPORT G-8 DESIRE TO EMPHASIZE AT CIEC MINISTERIAL PROGRESS MADE TO DATE, SUHADI SAID THAT THEY WOULD BE ON "THE SIDE OF THE MODERATES."

9. SUHADI DEPARTING FOR PARIS TODAY. HE SAID MINISTER WIDJOJO WOULD LEAVE PROBABLY MAY 24 OR 25. AS FAR AS WE KNOW, DELEGATION WILL BE HEADED BY WIDJOJO AND WILL INCLUDE THOSE MENTIONED PARA 8, REF A.

10. COMMENT: SUHADI WAS QUITE RELAXED AND APPEARED TO BE REASONABLY SATISFIED WITH CURRENT STATE OF PLAY. SUMMARY TOTAL OF GOI OFFICIAL REACTIONS SEEM TO INDICATE THAT INDONESIAN DELEGATION WILL WORK FOR COMPROMISES IN

ORDER TO ACCOMPLISH A RELATIVELY POSITIVE AND FORWARD
LOOKING CONCLUSION OF CIEC.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PERSONAL OPINION, ENERGY, POLITICAL SITUATION, DEBT REPAYMENTS
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977JAKART06683
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770183-0038
Format: TEL
From: JAKARTA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770529/aaaaayvx.tel
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Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 JAKARTA 6294, 77 GENEVA 3941
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2410355
Secure: OPEN
Status: NATIVE
Subject: CIEC - GOI VIEWS ON PRESENT SITUATION
TAGS: EGEN, ID, CIEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/29c3bf8b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009